



Best Practices in IT Procurement

Lessons Learned from the Pennsylvania Strategic Sourcing Initiative

Technology Governance Board
State of Iowa

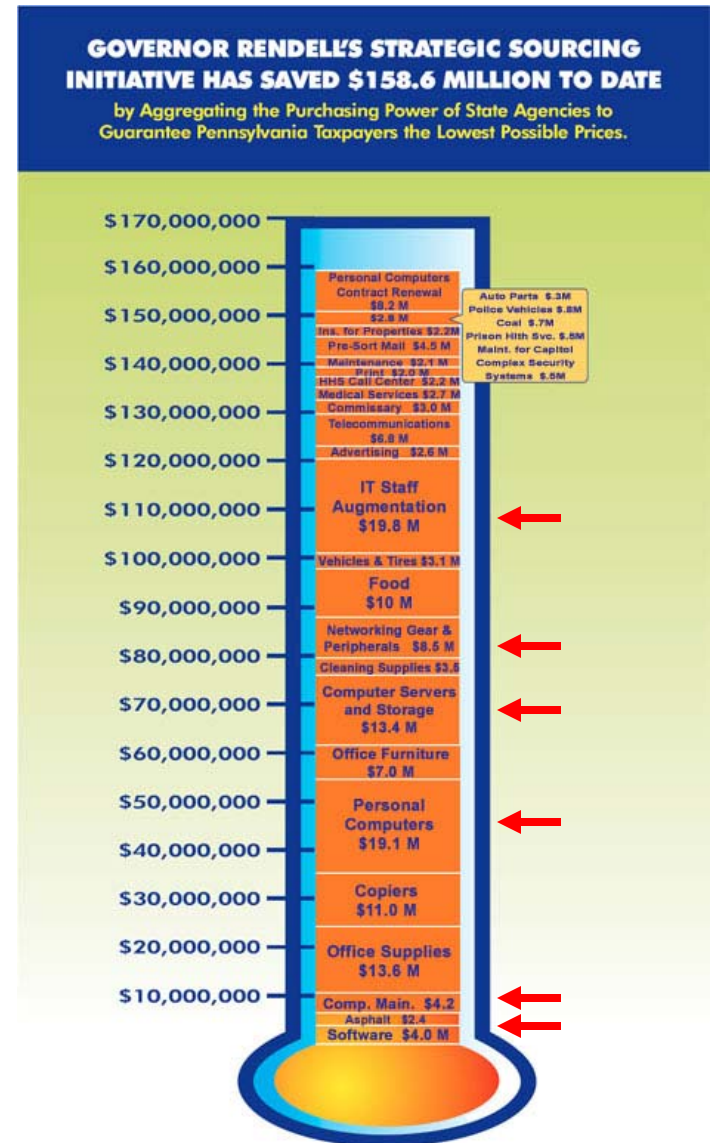
Des Moines, Iowa
October 12, 2006
(Attach K)

Agenda

- **Strategic Sourcing Background**
- **Application on IT HW, SW, Services and Maintenance**
- **Case Study: Staff Augmentation**
 - Quality
 - Reporting/Metrics/Visibility
 - Convenience
 - Small Business Participation
 - Savings

PA's Strategic Sourcing Initiative Yielded Savings, MWBE Participation

- With consultants' support, PA sourced 18 commodities over 15 month period
- **\$158.6M** in annual savings generated
- MWBE participation increased **from 2% to 25%** on strategically sourced contracts



PA's Legacy Staff Aug Contract

- **Invitation to Qualify (ITQ) contract with > 500 vendors**
 - Agencies required to solicit 3 firms from ITQ
- **Pricing above market rates**
 - Not to exceed hourly rates by title
 - Agency negotiations yielded 5 – 10% discount off contract rates
 - Spot buys never leveraged PA's full buying power
- **Limited competition = limited quality**
- **Limited supplier diversity**
- **No reporting, visibility or metrics**
- **Long lag time to place contractors**

Benefits of Strategically Sourced Staff Augmentation Contract

- **Competitive Pricing**

- Awarding to single managed services provider (MSP), increased buying power
- **\$19.8 million in annual savings** compared to actual rates paid on ITQ

- **Supplier Diversity**

- **46% minority/women owned business** commitment

- **Quality**

- Open vendor network allows **100+ firms** to compete for every requisition
- Firms compete on the basis of quality not price, because price is established in initial procurement.
- Firms that consistently perform well get more opportunities, poor performing firms get fewer
- Service level requirements virtually *guarantee* high quality

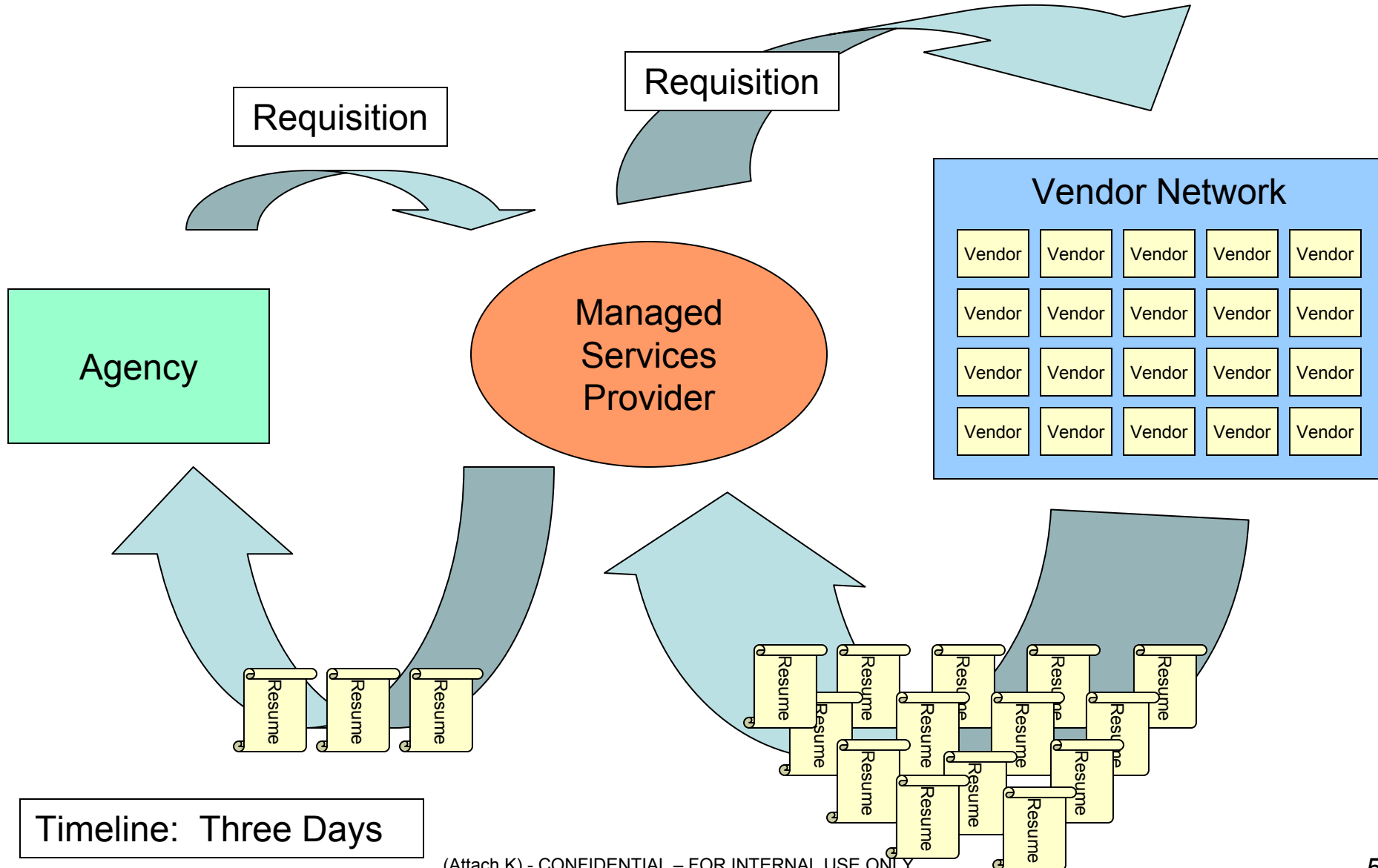
- **Convenience**

- Resources can be placed in **5-10 days**
- Supplier performs administrative functions of recruitment and selection

- **Visibility & Metrics**

- CIO can view real-time reports of who is buying what resources

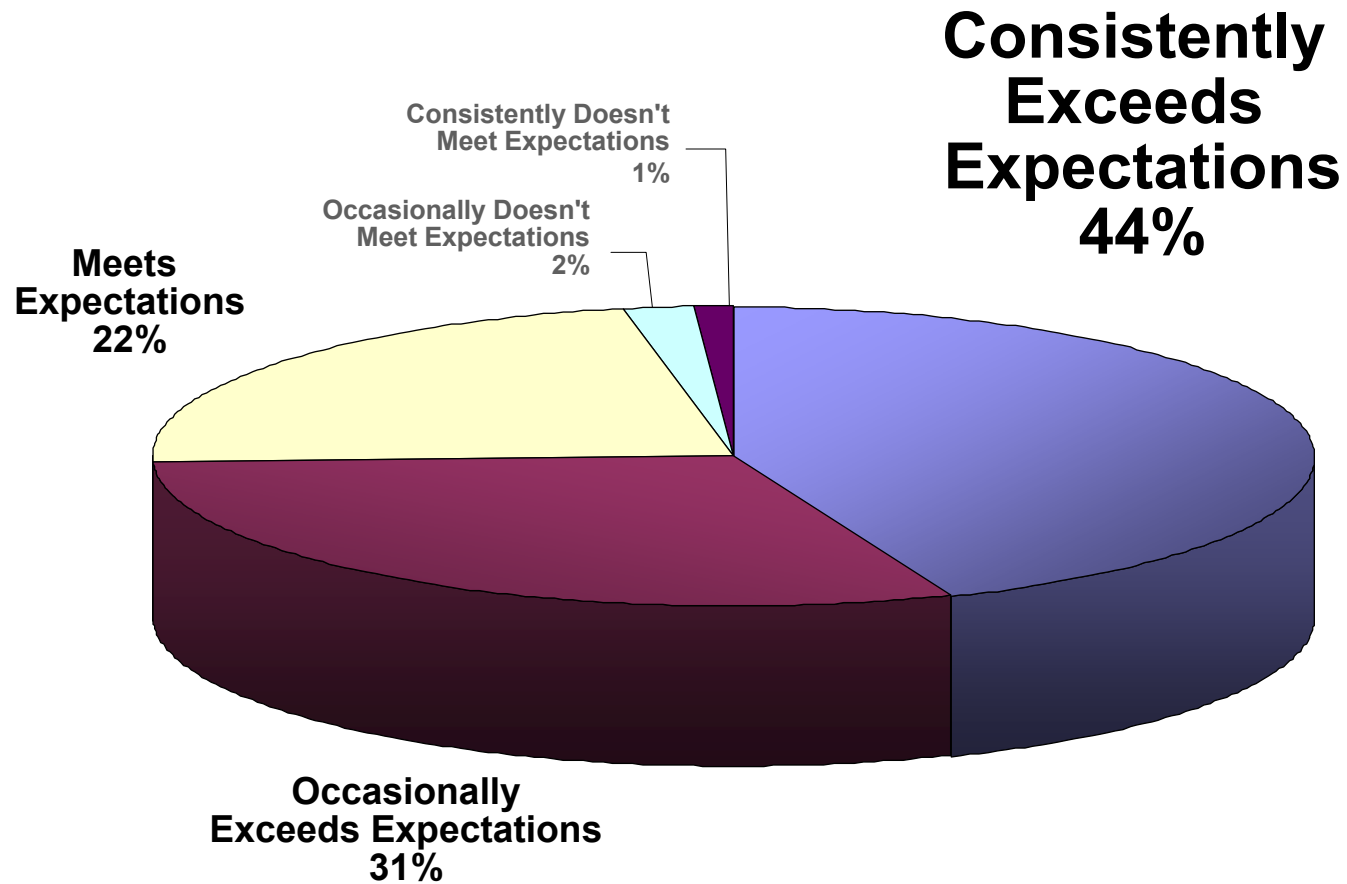
MSP model maximize competition and delivers highly qualified candidates quickly with minimal agency admin burden



Performance Levels

Performance Metric	Goal	Performance Target	Actual Performance
Resume Submittal Response Time	3 business days	92% or higher	97.06%
Normal Fill Rate	N/A	92% or higher	100%
Normal Round 1 Fill Rate	N/A	80% or higher	92.76%
Urgent Flagged Submittal Response Time	2 business days	92% or higher	100%
Urgent Fill Rate	N/A	92% or higher	100%
Urgent Round 1 Fill Rate	N/A	90% or higher	95.70%
Attrition Rate	N/A	8% or lower	1.97%
Performance Removal	N/A	5% or lower	1.42%
Opportunity to the Network	N/A	80%	98.6%
Usage of Network	N/A	75%	98.82%

Customer Satisfaction



Local Open Vendor Network

- MSP leverages an “open” network of IT Services companies, enabling them to cast a deep and wide net that covers a broad and diverse base of needs.
- Open network provides **new sources of talent and reduces previous barriers to entry.**
- Contractual obligations require MSP to utilize outside vendors to deliver the majority of staff aug. resources.

New Contract Has Led To More Business for MWBEs Than Ever Before

Strategically Sourced Contract

Vendor	Percent Share
Acclaim Systems, Inc.	15%
TEKSystems, Inc.	9%
e & e IT Consulting Services, Inc.	9%
iBusiness Solution, LLC	9%
Kit Solutions	8%
Argus Associates, Inc.	7%
Domino Technologies, Inc.	4%
Ohm Systems, Inc.	4%
Nittany Link, Inc	3%
Abel Personnel, Inc.	3%
Infotech Consulting, Inc.	3%
Momentum, Inc.	3%
Computer Aid, Inc	2%
The Judge Group, Inc.	2%
Ajilon Consulting	2%
IntelliMark, Inc.	2%
Prequel Solutions, LLC	1%
Net World Technology, Inc.	1%
S3 Incorporated	1%
Oxford Technical	1%
Diverse Technologies Corporation	1%
Drexel Technical	1%
JFC Staffing Associates	1%
Penn Data Networks, Inc.	1%
TechCircle	1%
CIBER, Inc	1%
TECPORT Solutions, Inc.	1%
Access Personnel Services, Inc.	1%
American Personnel Managers & Consultants, Inc.	1%

Yellow shaded = MWBE

Vendor	Percent Share
Ajilon	22%
Deloitte	11%
CIBER	9%
D&E Communications	5%
Transfer Technology	5%
Computer Services Corporation	3%
Operating Systems	3%
InfoMatrix	3%
Software AG	2%
CAI	2%
Hewlett-Packard	2%
IntelliMark	2%
Unisys	2%
GeoDecisions	2%
Network	2%
Information Services Group	2%
Veridyne	2%
Virtual Solutions	2%
EDS	2%
Microsoft	1%
Logisys	1%
Perfect Order	1%
Apsoft	1%
Database	1%
IBM	1%
Intergraph Corp	1%
DataWorks	1%
TEKSystems	1%
NEC	1%
TCS America	1%

Legacy Staff Aug Contract

Reporting

- The entire workflow is driven through the web-tool, allowing PA to **extract and present meaningful data** to make informed management decisions.
- The software tool includes 25 standard reports. MSP has created **38 custom reports** for PA.
- The software **tracks a subcontractor's performance** on each step of a requisition - from scoring of each resume to those forwarded to the hiring manager and a post-engagement assessment.
- The performance tracking capabilities **eliminates the uncertainty** of a subcontractor's performance. It also assists in mentoring subs on how to improve their performance.

Report Examples: Spend by Agency, Position

Agency	Total Engagements	Spend To Date
PENNDOT	18	\$ 696,302.42
L&I	7	\$ 233,266.23
DPW	12	\$ 231,531.70
OA/OIT	7	\$ 133,139.65
PDE	6	\$ 116,353.85
DOH	6	\$ 97,966.74
DCNR	8	\$ 83,272.42
PDA	3	\$ 55,990.80
Banking	1	\$ 50,903.00
SERS	1	\$ 41,857.20
DOR	3	\$ 40,338.02
PENNVEST	2	\$ 39,436.06
PGC	6	\$ 28,722.78
DOC	1	\$ 21,825.32
OA JNET	1	\$ 16,900.00
PID	1	\$ 15,655.79
DCED	1	\$ 10,916.25
DMVA	5	\$ 9,150.41
SCSC	1	\$ 7,859.91
F&B	1	\$ 437.50

Job Title	Engagements	Percentage
Programmer	123	21%
Product Specialist	97	17%
Program Manager	76	13%
Data Entry Operator	61	11%
Senior Consultant	36	6%
System Administrator	34	6%
System Specialist	31	5%
Help Desk Support	25	4%
Database Administrator	19	3%
Tester	19	3%
Tech Architecture Specialist	16	3%
Software Process Engineer	13	2%
Technical Writer	12	2%
Functional Architect	9	2%
Team Lead	7	1%
Quality Assurance Specialist	0	0%
TOTAL	578	100%

PA Contract At-A-Glance

- Live for 20 months
- 135 active vendors
- 44 active MWBE vendors
- 22 MWBE vendors with engagements
- 336 actively engaged resources
- 1,113 requisitions through 37 Commonwealth agencies
- 117 vendors responded with 6,765 submittals
- 51.02% new business spend through MWBEs
- Total spend to date = \$43,811,477.65